Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-56

Witness: **Karen L. Zink**
Date: **November 1, 2002**

Question:
DTE-1-1: Please refer to the Company's filing, and to the Agency and Services Agreements. Please explain how different are the functions that the Northeast Gas Markets LLC ("NEGM") will perform under these agreements from those that BP Energy will perform under Berkshire's Gas Portfolio Optimization and Gas Sales Purchase Agreements in D.T.E. 02-19 (2002). In your response, please indicate in a tabular form all the services that BP Energy will provide under D.T.E. 02-19 (2002) and those that NEGM will provide under those agreements.

Response: Please see the summary sheets attached. The first sheet summarizes the services to be provided by NEGM. The second sheet summarizes the services to be provided by BP Energy. A comparison of these sheets demonstrates that each organization is providing a different set of services to Berkshire. NEGM is providing pricing, nominations, U.S. customs work, and invoicing of only the specified Canadian supply, while BP Energy coordinates activities involved with scheduling, balancing, supply, transportation, storage and other services necessary for the Company to meet its operational needs in providing least cost/reliable service to its on-system customers and to assist the Company in the optimization of the underlying supply, storage and transportation resources available to Berkshire through off-system sales and similar transactions.

NEGM SERVICES SCHEDULE

a. Maintain records of quantities and total heating value of Gas sold by EnCana to each Customer (including Berkshire) and transportation volumes allocated at the Niagara check meter by Tennessee to the account of each Customer;

b. Transmit promptly to the respective Customer all notices received from EnCana under a Gas Sales Agreement, receive notices from Customers of their Scheduled Contract Quantities pursuant to GSA Section 5.1, transmit to EnCana the nominations of each Customer pursuant to GSA Section 5.1;

c. Coordinate re-offerings of Gas not nominated by individual Customers to other Customers pursuant to GSA Section 5.1 and Agency Agreement Section 3;

d. Notify promptly Customers of the effective monthly "Contract Price" and, when applicable, the effective "Reference Price" under the respective Gas Sales Agreements;

e. Prepare and file on behalf of Customers any operational reports which may be required by regulatory authorities, including without limitation quarterly reports required by the U.S. Department of Energy Office of Fossil Energy;

f. Prepare and file required U.S. Customs forms and arrange for payment of any levies pertaining to the importation of Gas;

g. Analyze and reconcile the nominated and received Gas volumes;

h. Review periodic meter station inspections reports concerning Tennessee's Niagara check meter facility and if necessary, witness annual inspection of same;

i. Open and maintain such bank accounts as may be necessary for NEGM to perform its services pursuant to the Services Agreement;

j. Coordinate meetings of representatives of Customers, EnCana, Tennessee, and any other appropriate parties; as may be necessary to discuss and resolve operational, commercial and regulatory issues;

k. Retain legal counsel and other outside professional services as directed by Customers;

l. Acknowledge the receipt, and verify the accuracy, of invoices from EnCana and from third parties, including but not limited to taxing authorities, vendors, lawyers and consultants;

m. Render invoices to each Customer for amounts due in accordance with the terms of the respective Gas Sales Agreements, the Agency Agreement and the Services Agreement;

n. Monitor receipt by NEGM of amounts due from each Customer in accordance with the terms of the respective Gas Sales Agreements, the Agency Agreement and the Services Agreement;

o. Remit promptly sums due and owing by Customers to EnCana and third parties (including fees due under the Services Agreement);

p. Maintain such office facilities, personnel and equipment as may be necessary for NEGM to perform its services pursuant to the Services Agreement; and

q. Perform such other acts as may be necessary or appropriate for proper performance, implementation and administration of the Gas Sales Agreements, the Agency Agreement and the Services Agreement.

BP ENERGY SERVICES SCHEDULE

a. Assist Berkshire in optimizing value of values from the underlying supply, storage and transportation portfolio available to the Company, including through off-system sales, capacity release and economic routing.

b. Coordinate activities involved in providing the scheduling, balancing, supply, transportation, storage and other services necessary for the Company to meet its operational needs in providing least cost/reliable service to its on-system customers.

c. Provide advice to assist with supply acquisition, off-system sales, optimization, and related activities that will ultimately be performed through a joint effort by designated representatives of BP Energy and designated representatives of the Company.

d. Assist Berkshire in supply acquisition in the Gulf of Mexico production area.

e. Provide to the Company daily and monthly reports and invoices, including reports on savings achieved through the alliance.

f. Assist in coordination of daily activities, including daily meetings discussing/predicting applicable market conditions, determination of portfolio usage and routings and other trading and optimization activities.

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Witness: **Karen L. Zink**
Date: **November 1, 2002**

Question:
DTE-1-2: Please refer to the Company's filing, and to Exhibit KLZ-7: "Responses to November 21, 2001 RFP." Please explain why Berkshire did not solicit RFPs on a stand-alone basis given that BP Energy, in its letter dated December 20, 2001 responding to the Working Group's November, 2001 RFP, indicated its readiness to consider RFPs "if the consortium chooses to act as independent LDCs rather than a collective group."

Response: First and primarily, Berkshire recognized that, from a cost perspective, it was more cost-effective to participate with the Working Group. More attractive pricing terms would likely be available through the Working Group and transactional costs would be substantially lower. Thus, Berkshire believed that it was extremely unlikely that BP Energy could provide a more attractive Canadian supply to the Company on a stand-alone basis. Second, the Company considered the fact that it currently receives gas supply from BP Energy pursuant to a Gas Sales and Purchase Agreement. Further, BP Energy was solicited by the Company in a separate RFP seeking a replacement domestic gas supply. Berkshire expected that BP Energy was likely to be a significant bidder in that process. Thus, it was determined that Berkshire would have somewhat more diversification of supply if it continued its pursuit of replacing the Canadian gas supplies in conjunction with the Working Group, rather than pursuing replacement on its own.

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THE BERKSHIRE GAS COMPANY
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Witness: **Karen L. Zink**
Date: **November 1, 2002**

Question:
DTE-1-3: Please refer to Page 7 of the Company's filing. What was the total cost associated with conducting the renewal process on a coordinated basis? What was Berkshire's share of the costs? Please explain the basis for cost sharing among the Working Group members.

Response: The total cost associated with conducting the renewal process on a coordinated basis was $254,389 as of 9/30/02. Berkshire's share was $4,026, or 1.58% of these costs, based on its volumetric participation in the replacement supply project (1,054 dth/day).

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THE BERKSHIRE GAS COMPANY
D.T.E. 02-56

Witness: **Karen L. Zink**
Date: **November 1, 2002**

Question:
DTE-1-4: Please refer to Page 16 of the Company's filing. The fee that each customer, including Berkshire, shall pay to NEGM each month under the Services Agreement is calculated as the product of three terms. With regard to the third term, please explain why the fee should be calculated "without regard to actual quantities of gas delivered to such customer for that month".

Response: The fee established is a demand charge rather than a volumetric charge based on the fact that the administrative work necessary to be performed would not change regardless of the quantities of gas being delivered for the month. The MDQ for the Company, however, is a part of the calculation, so that the quantities specific to Berkshire are recognized in the fee.

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THE BERKSHIRE GAS COMPANY
D.T.E. 02-56

Witness: **Karen L. Zink**
Date: **November 1, 2002**

Question:
DTE-1-5: Please refer to Page 16 of the Company's filing. Please outline the portfolio objectives in the Company's most recent Forecast and Supply Plan submitted to the Department in Docket D.T.E. 02-17. In relation to these objectives, show how the Gas Sales Agreement is in the public interest.

Response: As stated in the Company's Forecast and Supply Plan (pg. 41 of filing in D.T.E. 02-17), Berkshire's portfolio objectives are to continue to provide reliable, least-cost service with a minimum impact upon the environment under normal and design conditions. As such, Berkshire's resources need to meet the typical loads experienced on its system, i.e. base, seasonal and peaking. The Company accomplishes this through various resources including the utilization of third party supplies from South Texas, Louisiana, and Canada, storage supplies from New York, Pennsylvania and West Virginia, peaking supplies utilizing LNG and propane, and load management and other innovative resources. Given the cyclical nature of supply availability and price changes, the Company's goal is to develop a long-term supply plan that achieves a proper balance of the overall goals of flexibility, stability and reliability for its customers. The EnCana replacement supply meets these overall goals by adding a flexible, economic and reliable supply source. Accordingly, the Company determined that the Gas Sales Agreement is in the public interest.

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THE BERKSHIRE GAS COMPANY
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Witness: **Karen L. Zink**
Date: **November 1, 2002**

Question:
DTE-1-6: Please refer to pages 16 and 17 of the Company's filing. In relation to Berkshire's resource portfolio, please discuss how the gas supply from western Canada under this agreement compares with gas supply from eastern Canada, including the Sable Islands, in terms of cost, diversity and stability attributes of the Company's resource portfolio.

Response: Canadian gas supplies, regardless whether derived from western or eastern Canada, could both contribute to the enhancement of cost, diversity and stability attributes of the Company's resource portfolio. In this instance, Canadian supply, regardless of source, was recognized in terms of these attributes as most of the Company's base supplies are domestic. A second supply source might also enhance price stability and cost opportunities. The primary distinction in terms of this solicitation was the substantial cost benefits available pursuant to a larger solicitation as well as the economies of scale available pursuant to the agreement with NEGM. See the Company's response to DTE 1-2. Thus, Berkshire determined that the EnCana supply from western Canada was the preferred means to secure cost, diversity and stability benefits.

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THE BERKSHIRE GAS COMPANY
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Witness: **Karen L. Zink**
Date: **November 1, 2002**

Question:
DTE-1-7: Please refer to page 17 of the Company's filing. Please present evidence to support the Company's assertion that "[t]he Gas Sales Agreement also compared favorably to the range of Canadian supply alternatives available at the time of the Working Group's solicitation and contract negotiation efforts."

Response: See the response to DTE-1-6.

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THE BERKSHIRE GAS COMPANY
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Witness: **Karen L. Zink**
Date: **November 1, 2002**

Question:
DTE-1-8: Please refer to page 17 of the Company's filing. The Company states that "the continuing employment of NEGM helps reduce cost while enhancing flexibility by providing the Company with the opportunity to procure additional Canadian supplies." Please explain whether the selection of NEGM to provide services under the Services and Agency Agreements was based on a competitive bidding process.

Response: The selection of NEGM was based primarily on the Company's and the Working Group's relationship with NEGM for over 20 years, as well as NEGM's Canadian and gas contracting expertise. NEGM is uniquely qualified in the development of effective gas supply consortia where the gas supply interests of individual regulated gas utilities are aggregated to achieve efficiencies in project development, transactional and legal savings, contract flexibility and operational economies. Given this unique experience and the reasonable rates and charges of NEGM, the Company determined that an additional competitive solicitation would not have been productive.

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THE BERKSHIRE GAS COMPANY
D.T.E. 02-56

Witness: **Karen L. Zink**
Date: **November 1, 2002**

Question:
DTE-1-9: Please refer to page 8 of Exhibit KLZ-5 of the Company's filing. Did any of the initial Working Group members or prospective customers opt out of the Gas Sales, Agency and Services Agreements during or after the bidding process was completed? Please explain.

Response: Some of the initial Working Group members did opt out of the Gas Sales, Agency and Services Agreements during or after the bidding process was completed. Berkshire expects that each utility analyzed its own supply requirements as well as its mix of gas contract supply and transportation relationships and, from that analysis, decided whether they wanted to continue to participate in the Working Group.

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THE BERKSHIRE GAS COMPANY
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Witness: **Karen L. Zink**
Date: **November 1, 2002**

Question:
DTE-1-10: Please refer to Section 4.4 of Exhibit KLZ-1, "Gas Sales Agreement". Please discuss whether EnCana defaulted on its gas supply obligations to customers in the past 10 years.

Response: The Company is not aware of a situation where EnCana (or its predecessor companies that merged to form EnCana – Alberta Energy Company and PanCanadian Energy Corporation) defaulted on its gas supply obligations to customers in the past 10 years,.